FINANCIAL NEWS

Cash flow grows more important after market crash

By Phillip M. Perry
NHCN staff editor

While everyone is waiting to see what the consumer will do in response to October's stock market crash, two conclusions can be drawn about the crash's effect on both private and public retailers.

Behind the Numbers

The degree of risk inherent for all companies has increased substantially. That has been made clear from the fall of the prices of the stocks.

Earnings forecasts, across the board, had not been downgraded prior to the crash, so it must be that risk—the second determinant of stock prices—increased substantially.

Because the stock crash affected virtually all traded companies, it seems the greater risk has been assigned to the economy in general rather than to any particular category of companies.

This conclusion is reinforced by the pronouncements of economists and general business publications in the weeks following the crash. Responsibility was assigned not to changes in company operations, but rather to larger economic issues such as inaction on the budget deficit.

Cash Flow Increases
(Funds from Operations, 1986 vs. 1985)

The Home Depot	115%
General Building Products	77
Wolohan Lumber	36
Hechinger	24
Lowe's	8
Payless Cashways	6
Scotty's(*)	3
Standard Brands Paint	1

(*) Year ended June 1987.
Source: 1986 annual reports.
NHCN chart.

Responding to the greater risk, stockholders will be demanding greater returns for their investments. That means retailers will have to be more selective in their capital spending, which will directly affect the pace at which they can increase market share.

This force applies to private as well as public companies. The perception of greater risk, or greater uncertainty, applies to all alternative investments. Accordingly, owners of private companies will require a better return for their investments as will investors in public companies.

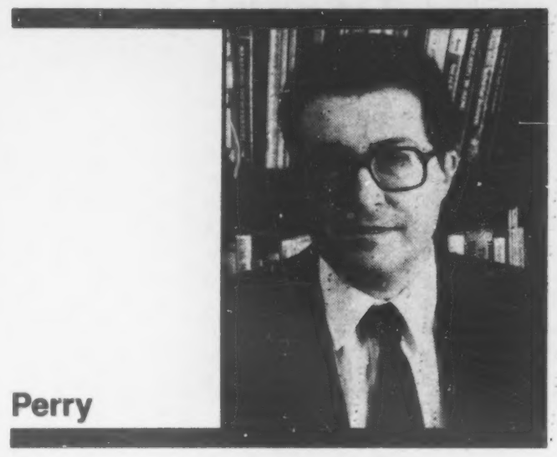
There will be more emphasis than ever on company cash flow. Strong cash flow is one indication a company has already taken steps to invest for the future. That impresses investors looking for evidence that future earnings increases resulting from recently enacted capital improvements might overcome the negative effects of a possible recession.

It also indicates a company is in a better position than others to pull back now on additional capital improvements, since some improvements have already been made.

Strong cash flow also suggests a company can increase its earnings by adjusting internal operations, and can better meet interest payments in the future.

At least three companies—Standard Brands Paint, Scotty's, and Lowe's—reported cash flows in their most recent annual reports that cast a better light on their earnings reports. As detailed by a news story earlier in this issue, Standard Brands has developed a stock buyback plan that would preserve the current management of the firm.

Looking at the company's earnings for the most recent year, one might think the 5.1 percent drop in earnings in 1986 would not provide an attractive target for a takeover and would throw into question the ability of anyone buying the firm (including current management) to make the interest payments.


Perry

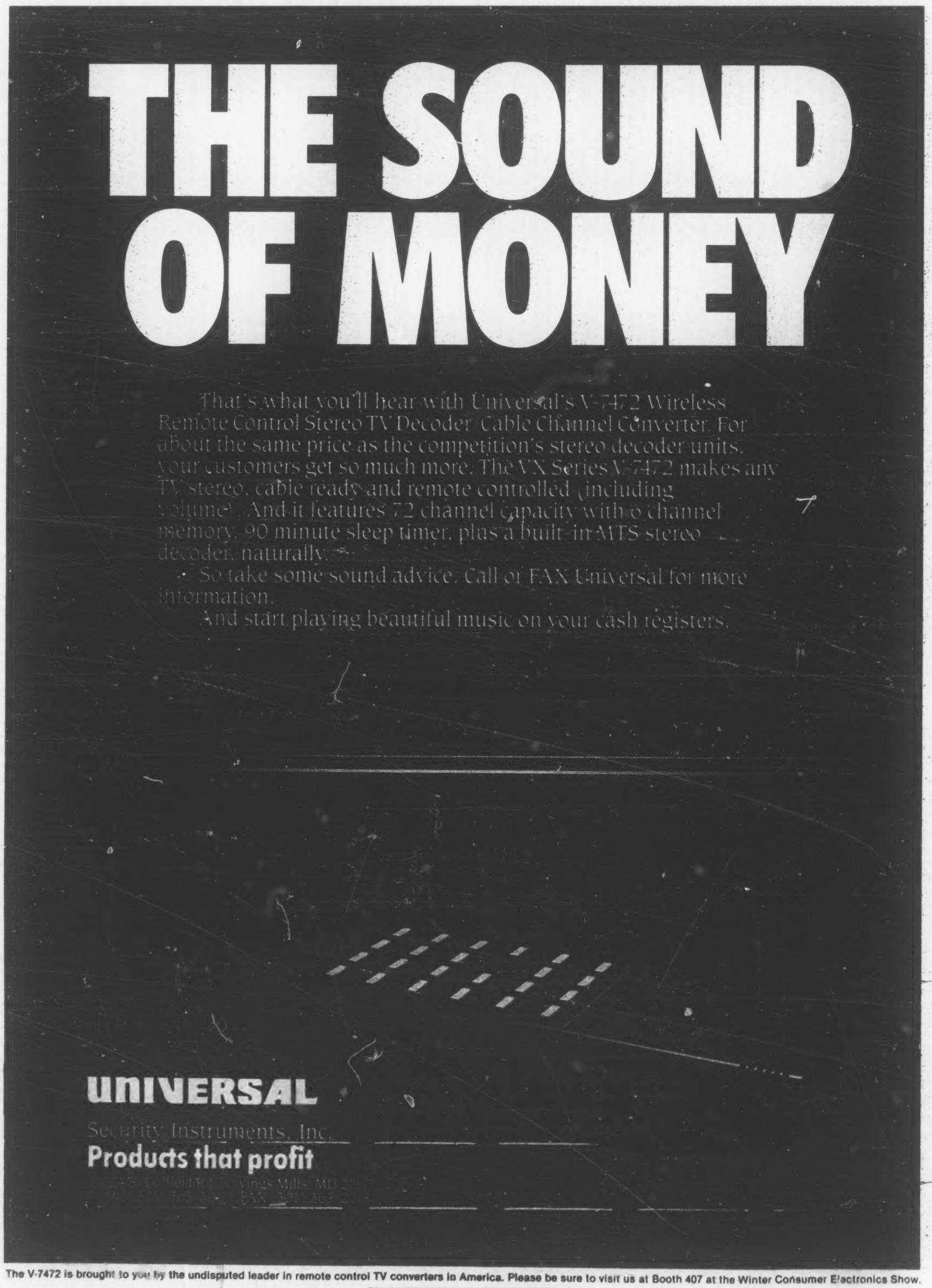
But looking at cash flow, one comes to a different conclusion. Cash flow actually increased last year by 1 percent over that of the previous year. It reached $22.5 million, providing a comfortable margin for paying the annual $18 million in pretax interest that analyst Ward Lindenmayer of Sutro & Co., San Francisco, figures the debt will entail.

Other companies also have reported cash flows more favorable than earnings might suggest. Scotty's, for example, experienced an increase of 2.9 percent in its cash flow for the year that ended this June. This took place while it was reporting a 24 percent drop in earnings.

And while Lowe's was reporting a 13 percent drop in earnings for 1986, it achieved an 8.2 percent increase in cash flow.

* * *

The bottom line—More than four out of five institutional investors want companies to rescind poison pills or put them to a vote, according to a release last month from the Investor Responsibility Research Center, Washington, D.C.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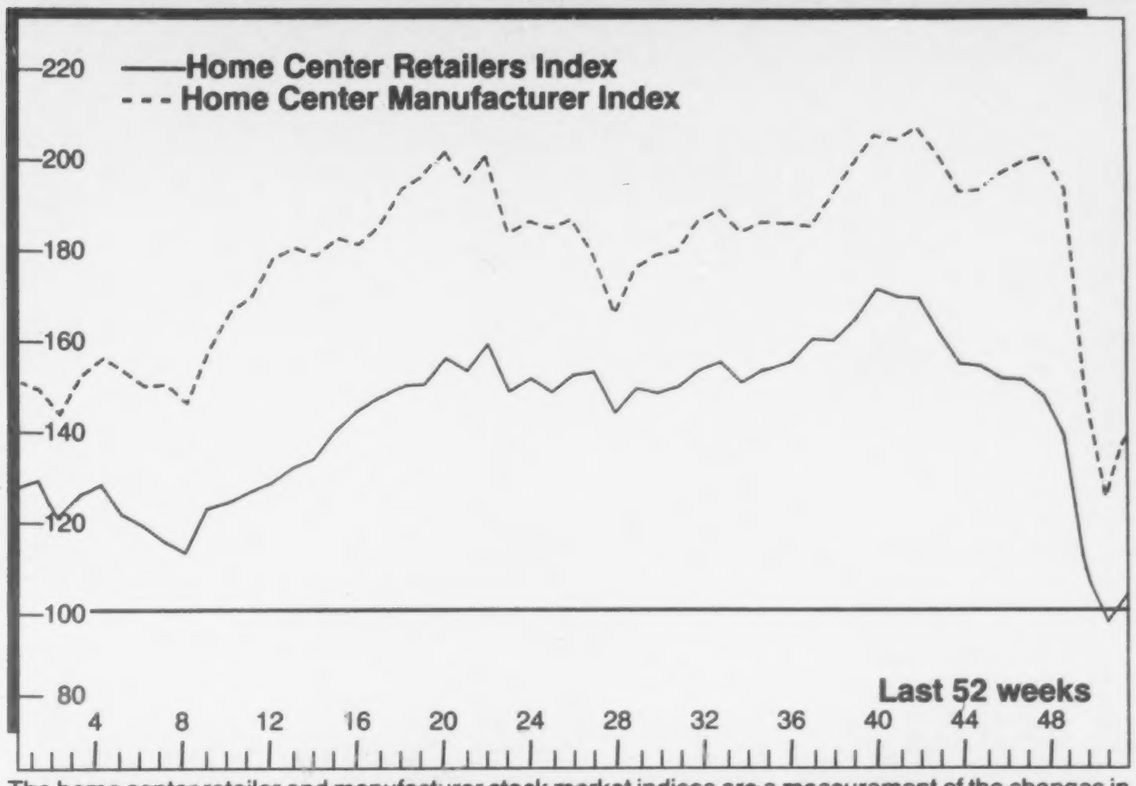
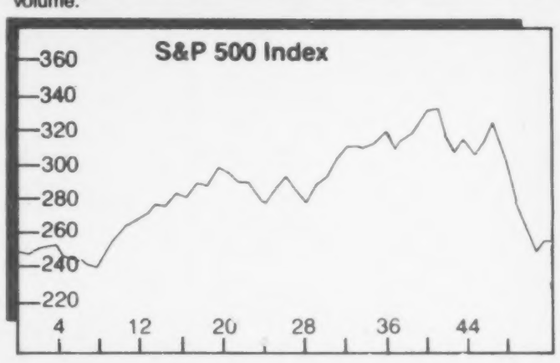


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on October 16, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
11-13-87	(100)	%	%
Pay n Pak ..... N	3,517	458.7	20.8
Stanline Inc ..... M	1,373	418.6	43.3
Mor-Flo Inds ..... M	510	412.5	- 14.1
DeSoto Inc ..... N	2,310	303.4	- 3.0
Am Woodmark ..... M	1,760	286.4	3.0
Scotty's Inc ..... N	4,693	227.6	1.0
Hughes Supply ..... N	1,522	208.8	4.2
Certain-teed ..... N	4,336	192.3	1.9
Am Standard ..... N	14,180	185.8	- 1.0
Moore Handley ..... M	282	169.0	22.2

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 10-30	2-Week Price Change	Total 2-Week Volume
11-13-87	$	%	(100)
Stanline Inc ..... M	10.75	43.3	1,373
Clairson Intl ..... M	7.75	29.2	803
Moore Handley ..... M	5.50	22.2	282
Pay n Pak ..... N	14.50	20.8	3,517
Nortek Inc ..... N	8.38	19.6	4,973
Manville Cp ..... N	2.75	15.8	8,397
Am Consum Prods ..... M	10.50	13.5	48
Sherwin-Wms ..... N	25.63	12.6	10,665
Payless Cash ..... N	14.00	10.9	12,149
Strober Organiz ..... M	8.75	9.4	505
Losers	$	%	(100)
USG Corp ..... N	28.75	- 18.4	32,252
Mor-Flo Inds ..... M	6.88	- 14.1	510
Triangle Ind ..... N	25.00	- 10.7	5,229
Masco Corp ..... N	22.63	- 8.6	29,253
Waxman Ind ..... M	8.38	- 8.2	2,405
Grossman's Inc ..... M	5.63	- 8.2	5,448
INTERCO Inc ..... N	33.25	- 7.6	9,734
Thos Inds ..... N	15.00	- 7.0	1,687
Cooper Indus ..... N	47.50	- 6.2	13,233
Owens Corn ..... N	13.38	- 4.5	24,168

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 11-13-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods ..... M	5.25	.00	.0	5.75	5.00	12.50	4.50	384	.96	.82	17.1	7.4	.00	.0	.....	9 mos.	08-87	19.7	16.6	.8	14.3	.19	- 17.4	49.5	21.3	1.8	38.5	.48	9.1
Grossman's Inc ..... M	5.63	- .50	- 8.2	6.13	5.63	11.25	4.75	5,448	2.08	1.89	10.1	17.6	.00	.0	.....	9 mos.	09-87	316.8	7.8	9.6	NE	.44	NE	819.5	7.3	11.3	NE	.53	NE
Hechinger A ..... M	16.75	1.00	6.3	16.75	15.50	26.50	15.25	7,911	7.24	4.25	70.4	NA	.16	1.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	18.00	1.00	5.9	18.00	16.75	26.75	16.25	934	.58	.35	65.7	16.2	.06	.3	.....	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot ..... N	17.50	1.25	7.7	17.63	15.75	28.09	11.59	16,604	3.76	2.48	51.6	19.4	.08	.5	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.33	73.7	715.4	47.2	28.4	130.9	.62	93.8
INTERCO Inc ..... N	33.25	- 2.75	- 7.6	36.75	33.25	54.00	31.00	9,734	2.45	1.22	100.8	9.6	1.60	4.8	.....	6 mos.	08-87	842.9	34.7	38.4	64.1	.90	21.6	1624.3	34.8	64.9	71.7	1.52	26.7
K mart Cp ..... N	29.50	.50	1.7	30.50	25.25	48.38	21.63	81,868	4.06	1.98	105.1	9.2	1.16	3.9	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos ..... N	19.13	.75	4.1	22.50	18.13	32.75	16.25	8,651	2.18	1.51	44.4	13.1	.44	2.3	.....	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods ..... M	4.75	.00	.0	5.00	4.50	10.00	4.50	286	2.11	1.23	71.5	6.2	.00a	.0	.....	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0
Natl Lumber ..... M	3.88	.00	.0	4.00	3.50	7.50	3.50	534	.95	.45	111.1	NE	.00	.0	.....	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak ..... N	14.50	2.50	20.8	15.75	12.00	21.50	10.88	3,517	3.52	.63	458.7	14.5	.40	2.8	.....	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5
Payless Cash ..... N	14.00	1.38	10.9	14.25	12.50	26.88	12.00	12,149	3.51	2.07	69.6	11.0	.16	1.1	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc ..... N	12.25	.13	1.0	13.00	11.88	15.88	10.00	4,693	3.21	.98	227.6	16.1	.52	4.2	.....	3 mos.	09-87	123.7	4.2	2.3	43.8	.16	45.5	123.7	4.2	2.3	43.8	.16	45.5
Sears, Roebuck ..... N	36.38	.25	.7	37.50	34.00	59.50	26.00	76,485	2.03	1.27	59.8	8.9	2.00	5.5	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Prt ..... N	21.63	.50	2.4	22.50	20.00	31.88	16.13	8,525	7.65	5.14	48.8	15.7	.00	.0	.....	6 mos.	07-87	92.6	3.8	5.3	10.4	.48	14.3	172.0	3.0	8.4	3.7	.76	7.0
Strober Organiz ..... M	8.75	.75	9.4	9.50	8.00	15.25	6.75	505	.83	.83	.0	9.2	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Wickes Cos ..... N	9.13	.00	.0	10.75	8.88	25.00	7.25	21,681	4.53	2.99	51.5	3.1	.00	.0	.....	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	- 15.4	2994.3	42.1	110.1	201.6	2.25	200.0
Wolohan Lumber ..... M	10.88	.38	3.6	11.38	10.50	18.75	7.75	1,107	1.89	1.99	- 5.0	8.0	.24	2.2	NEW	9 mos.	09-87	66.2	12.8	2.7	42.1	.46	39.4	171.8	21.1	6.3	75.0	1.07	75.4
Zayre Corp ..... N	19.75	1.25	6.8	23.00	18.75	37.00	14.38	40,956	7.05	5.04	39.9	7.1	.40	2.0	.....	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																													
Hughes Supply ..... N	21.88	.88	4.2	22.50	21.00	30.25	19.75	1,522	4.57	1.48	208.8	9.6	.40	1.8	.....	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley ..... M	5.50	1.00	22.2	5.50	4.50	9.75	4.50	282	1.13	.42	169.0	21.2	.00	.0	.....	9 mos.	09-87	27.4	16.6	- .2	- 100.0	- .09	- 100.0	74.4	15.5	.5	- 50.0	.19	- 56.8
Lewis Palmer ..... M	6.25	.00	.0	6.38	6.13	9.88	5.88	1,114	2.77	2.30	20.4	16.9	.28	4.5	.....	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc ..... M	10.75	3.25	43.3	10.75	6.50	14.00	6.50	1,373	8.09	1.56	418.6	9.7	.32b	3.0	.....	9 mos.	07-87	15.7	- 4.3	.5	.0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1
Manufacturers																													
Am Consum Prods ..... M	10.50	1.25	13.5	10.75	9.00	14.25	7.88	48	.23	1.87	- 87.7	17.2	.00	.0	.....	9 mos.	09-87	11.7	27.2	.6	100.0	.28	- 17.6	31.4	21.7	1.3	160.0	.62	12.7
Am Standard ..... N	35.75	- .38	- 1.0	37.50	33.25	55.00	33.00	14,180	4.43	1.55	185.8	9.3	1.80	5.0	NEW	9 mos.	09-87	840.1	9.4	31.2	4.3	.98	14.0	2497.9	12.1	92.0	- 42.6	2.87	- 33.1
Am Woodmark ..... M	8.50	.25	3.0	8.88	8.00	17.13	7.25	1,760	2.55	.66	286.4	9.4	.00	.0	.....	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld ..... N	28.50	- 1.25	- 4.2	30.00	24.50	47.38	22.50	24,548	5.18	1.95	165.6	9.2	.90	3.2	.....	9 mos.	09-87	622.3	23.0	43.9	23.3	.92	26.0	1760.0	23.6	116.9	26.7	2.46	28.8
Black & Decker ..... N	16.50	.75	4.8	18.00	15.13	26.50	13.00	19,193	3.30	2.10	57.1	22.9	.40	2.4	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade ..... N	61.25	3.75	6.5	62.25	57.00	86.88	48.00	13,870	4.83	2.92	65.4	11.8	1.90	3.1	.....	9 mos.	09-87	997.0	5.7	50.4	278.9	1.70	347.4	2845.2	2.1	125.8	80.7	4.17	82.9
Certain-teed ..... N	26.50	.50	1.9	27.00	25.50	45.75	25.00	4,336	2.28	.78	192.3	8.4	1.00	3.8	.....	9 mos.	09-87	309.2	1.5	19.5	- 2.0	1.03	- 1.0	866.7	2.5	48.8	4.7	2.57	4.9
Champ Intl ..... N	29.25	.00	.0	30.75	25.38	44.63	21.75	50,640	5.32	2.70	97.0	7.6	.80	2.7	.....	9 mos.	09-87	1199.0	7.9	88.7	39.0	.94	38.2	3457.2	3.8	299.9	120.0	3.17	128.1
Clairson Intl ..... M	7.75	1.75	29.2	8.00	6.00	18.25	5.00	803	1.58	1.28	23.4	18.0	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus ..... N	47.50	- 3.13	- 6.2	51.38	45.75	74.50	37.75	13,233	2.65	1.60	65.6	14.3	1.68	3.5	.....	9 mos.	09-87	881.3	7.0	44.4	17.8	.88	14.3	2577.0	- .5	117.4	17.2	2.35	14.1
DeSoto Inc ..... N	24.00	- .75	- 3.0	25.38	23.75	43.75	23.38	2,310	5.85	1.45	303.4	15.4	1.40	5.8	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp ..... N	18.75	- .50	- 2.6	19.75	18.00	26.63	15.50	13,508	2.16	1.03	109.7	12.2	.80	4.3	.....	9 mos.	09-87	558.3	18.1	23.3	NE	.37	NE	1789.9	18.5	80.1	NE	1.28	NE
Georgia Pacific ..... N	34.13	.50	1.5	35.63	31.75	52.75	22.75	60,670	5.57	2.23	149.8	8.7	1.20	3.5	.....	9 mos.	09-87	2424.0	27.0	118.0	21.6	1.10	22.2	6374.0	17.1	346.0	62.4	3.16	62.9
Insilco Corp ..... N	15.88	- .50	- 3.1	16.88	15.50	28.13	14.63	5,159	2.47	1.32	87.1	9.3	1.00b	6.3	.....	9 mos.	09-87	195.7	.1	8.4	20.0	.40	48.1	544.3	- 5.0	26.8	5.9	1.27	11.4
La Pacific ..... N	28.50	.38	1.3	29.63	27.25	39.75	21.50	8,767	2.29	2.24	2.2	9.7	.80b	2.8	.....	9 mos.	09-87	531.8	30.5	42.6	91.9	1.11	91.4	1443.5	28.4	93.7	94.8	2.45	92.9
Macmillan Bloedel ..... M	14.50	.38	2.7	14.50	12.88	23.50	9.69	16,291	1.60	1.02	56.9	NA	1.10	NA	NEW	9 mos.	09-87	816.8	24.2	82.7	160.9	.77	208.0	2343.0	19.0	217.7	97.9	1.99	118.7
Manville Cp ..... N	2.75	.38	15.8	2.88	2.25	5.38	1.63	8,397	3.50	1.95	79.5	.5	.00	.0	.....	9 mos.	09-87	547.8	7.2	48.6	82.0	1.76	107.1	1540.7	5.7	132.6	107.5	4.74	152.1
Masco Corp ..... N	22.63	- 2.13	- 8.6	25.50	21.88	40.88	18.75	29,253	2.21	1.44	53.5	12.4	.40	1.8	.....	9 mos.	09-87	541.0	47.4	66.7	30.0	.50	25.0	1480.0	47.7	188.0	27.0	1.42	23.5
Mor-Flo Inds ..... M	6.88	- 1.13	- 14.1	7.50	6.50	14.38	6.50	510	2.05	.40	412.5	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co ..... N	26.50	- .75	- 2.8	28.00	25.38	43.00	24.50	1,569	1.37	.71	93.0	10.9	.84	3.2	.....	9 mos.	09-87	218.8	105.8	11.2	51.4	.75	17.2	414.8	40.2	23.8	43.4	1.80	16.9
Nortek Inc ..... N	8.38	1.38	19.6	8.38	7.13	17.38	5.00	4,973	3.16	2.12	49.1	14.0	.10	1.2	.....	9 mos.	09-87	352.5	23.3	.2	- 97.1	.01	- 98.5	975.9	45.0	11.4	- 58.8	.71	- 73.3
Owens Corn ..... N	13.38	- .63	- 4.5	15.13	13.13	32.38	8.88	24,168	6.45	3.61	78.7	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	11.00	.63	6.0	11.88	9.88	18.13	9.00	2,081	1.86	1.40	32.9	9.9	.12	1.1	.....	9 mos.	09-87	84.0	41.9	3.4	112.5	.30	87.5	236.7	40.1	10.5	75.0	.91	26.4
Pope & Talbot ..... N	13.38	.63	4.9	14.00	12.00	27.25	9.75	3,534	2.94	2.03	44.8	6.1	.44	3.3	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp ..... N	26.38	1.38	5.5	28.00	25.13	41.88	21.00	3,348	1.25	.95	31.6	9.6	.92	3.5	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds ..... N	31.00	.38	1.2	35.00	29.00	53.50	27.50	25,897	2.17	1.64	32.3	10.5	1.20	3.9	NEW	9 mos.	09-87	1260.5	10.5	91.3	10.7	.76	10.1	3855.0	10.6	280.6	15.2	2.34	14.1
Sherwin-Wms ..... N	25.63	2.88	12.6	27.75	22.75	38.50	21.75	10,665	2.40	1.47	63.3	10.2	.56	2.2	.....	9 mos.	09-87	512.3	16.9	36.4	4.9	.81	14.1	1384.4	15.1	77.0	.3	1.71	13.2
Stanley Works ..... N	24.25	1.00	4.3	24.63	21.75	36.63	21.25	5,559	1.27	.75	69.3	12.6	.88	3.6	NEW	9 mos.	09-87	454.3	17.0	20.9	4.0	.48	.0	1304.6	17.0	60.4	9.2	1.39	5.3
Thos Inds ..... N	15.00	- 1.13	- 7.0	16.38	14.75	22.63	14.75	1,667	1.69	.77	119.5	9.6	.68b	4.5	.....	9 mos.	09-87	82.4	13.3	3.7	76.2	.38	72.7	241.4	9.4	12.3	28.1	1.24	27.8
Triangle Ind ..... N	25.00	- 3.00	- 10.7	28.50	24.25	44.00	22.50	5,229	2.17	1.36	59.6	9.9	.12	.5	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp ..... N	35.00	1.63	4.9	37.38	32.00	48.19	26.00	31,288	4.25	1.95	117.9	15.0	1.16	3.3	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp ..... N	28.75	- 6.50	- 18.4	36.75	27.13	55.88	23.50	32,252	6.30	4.49	40.3	6.3	1.12	3.9	.....	9 mos.	09-87	752.8	15.1	44.0	7.1	.85	30.8	2172.3	7.1	187.1	10.7	3.63	39.1
Walter, Jim ..... N	59.00	- .13	- .2	59.63	58.75	62.38	35.81	1,412	.36	1.53	- 76.5	16.9	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind ..... M	8.38	- .75	- 8.2	9.13	8.13	13.25	7.41	2,405	3.80	1.77	114.7	12.1	.10	1.2	NEW	3 mos.	09-87	34.8	30.3	1.3	62.5	.21	75.0	34.8	30.3	1.3	62.5	.21	75.0
Weyerhaeuser ..... N	36.13	- 1.50	- 4.0	38.75	34.75	60.00	19.00	42,503	3.14	2.03	54.7	14.3	1.50	4.2	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Retailers hedging their bets on snow thrower sales

(Continued from page 1)
ville, Ill., did a strong business in 1986, despite the lack of snow in the region last winter.

Don Watson, Moser's seasonal buyer, said he carries 65 Toro stockkeeping units that range from $329.95 to $1,069.

Watson said he is able to compete with franchised dealers by offering a fully assembled product at a promotional price point.

Strong sales at National

National Hardgoods Distributors, the 29-store Stoughton, Mass., hardware chain, had strong sales last year with very little leftover inventory. National Hardgoods will promote its five models at the beginning of the season through January, according to Joe Quaresima, vp and general merchandise manager.

"We hope that this year people will remember the snow from last year. They are predicting a bad year [for snow]. We consider it a risky category," Quaresima said.

Anderson Lumber, the Ogden, Utah-based chain, was left wishing for snow at the end of last season, said Hudson England, vp-merchandising. "We had a very light winter and a lot of carryover inventory." Orders for this year have not been placed yet and promotions began Nov. 4.

Dealers' caution towards the product category is matched by the mixed signals about this year's prospective sales coming from the vendor community.

"It looks like the industry is down. I wouldn't say its disastrous. I would say that shipments are down 15 to 20 percent," said Andy Schad, product manager for Lawn Boy, Plymouth, Wis., which acquired a snow thrower line from Gilson Brothers in September, and has a nationwide dealership of 1,000.

On the other hand, Bert Thompson, marketing manager for Toro snow products, Minneapolis, explained that snow throwers are no longer considered a luxury item as they have come down in price in past years. The market, he said, "is at an all-time high."

He added that orders for this year have been "great" and that production has been extended. New for Toro is a power shift that increases front-end pressure, eliminating front-end ride up which occurs when plowing hard-packed snow.

Toro prices begin at $164 (with rebate) for an electric model, and go up to $1,500 for a two-stage gas-powered model.

Simplicity Manufacturing, Port Washington, Wis., makes only gas-powered snow throwers, which it markets through its nationwide network of 1,000 dealers.

Production levels down

Lauren Zahn, Simplicity's corporate spokesperson, acknowledged that production levels were down. "We didn't have that bad a year [last year]. Sales were normal in Simplicity's East and European markets." In the West, she said, there was some leftover inventory. Zahn described sales for this year as "pretty good so far."

Simplicity's price point range starts at $390 for compact, single-stage snow throwers, up to $1,400 for its top of the line 10-horsepower unit, which Zahn acknowledged has commercial applications as well.

Aircap Industries, Tupelo, Miss., is marketing snow throwers under the Snow Champ name, as well as manufacturing private label models for retailers.

Leftover inventory did result in a production decrease. But Chuck Yahn, Aircap's president, expressed optimism for a snowy winter.

Design Works debuts kitchen center in L.A.

(Continued from page 7)
Design Works including Torrance now open. Cheever explained that before the MasterCraft Industries acquisition, MasterCraft operated seven kitchen specialty stores—two in Denver, one each in Boulder and Colorado Springs in the Colorado market and in Phoenix, Glendale and Tucson, Ariz.

First unit from scratch

These units, formerly open under the MasterCraft name, have been "refitted and renamed [Design Works] over the past six months," said Cheever. Torrance is the first unit to open from scratch.

The next Design Works slated to open in January 1988 is in Huntington Beach, Calif., followed by a unit in San Diego. All units are company owned.

"We look forward to being represented in all of the major markets," said Cheever. "Our goal is to have this a national chain."

The Design Works stores will eventually be expanded to include some bathroom-related products, Cheever said.

The marketing strategy is to provide a good-better-best price-point structure. (The company refers to them as modest project, midrange and premier range).

Cheever said there are "three tiers of price points to reach the entire spectrum of the kitchen market." Thus, the products and services it offers will appeal to DIYers, remodeling contractors, custom home builders, designers and architects.

Featured products at Design Works Kitchen Centers include three lines of cabinets—MasterCraft, Geneva and St. Charles—manufactured by Whirlpool Kitchens.

The MasterCraft brand targets the middle price-point range aimed at the builder/remodeler market. St. Charles is the "premium product line" aimed at residential and commercial applications. The Geneva brand is considered the "value" product, featuring frameless cabinetry.

Other products include faucets, Kohler sinks, Wilsonart decorative laminate countertops and major appliances under the Whirlpool and KitchenAid label, both Whirlpool Corp. brands.

"Our goal is to provide a totally integrated package so that the consumer doesn't have to go to different stores," said Cheever. "We can do the whole thing from beginning to end."

Cheever summed up Design Works' strategy: The direction of the future is a packaged kitchen in which customers can shop at a "no-hassle" store which offers "personalized, expert service to a broad spectrum of buyers."

"We believe the DIYer is not necessarily interested in a low-end product," Cheever said. "They want to get the most value for their investment. But they need design assistance."

Design Works will refer consumers to a "screened group of contractors" if they prefer not to do the kitchen renovation themselves.

Design Works will make house calls, but that costs the customer $50, which will be applied to the total purchase price. A total design, including blue prints, costs $200.

See Classified ads on pages 59 and 60 of this issue . . .

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Vol. 13, No. 24 November 30, 1987

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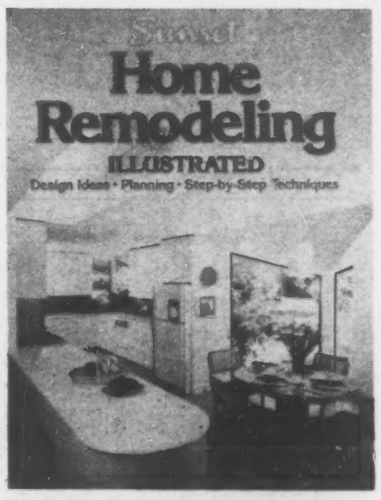

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Circle 70 on Reader Service Card

Orchard battles low-prices by strengthening its L & G image

(Continued from page 1)
It launched the first of its eye-catching institutional ads in April, a line drawing of a flower to herald the arrival of the seasons' shade and sun plants.

Ads a departure from norm

The ads ran on the back of the Living section of the Sunday *San Jose Mercury.* The graphics are more in keeping with department or specialty store advertising and are a complete departure from Orchard's usual price and item advertising. They also stand out from the competitors' promotional ads in the Sunday papers.

The ads covered the whole range of Orchard Supply's services. They focused on its employment of 26 California Certified Nurserymen (CCN); its tag system for helping customers load; and its "Plant for a Purpose" information center, which includes free literature.

Women targeted by ads

As part of the repositioning and targeting to women, Orchard Supply also introduced its own private label pure drinking water. The 2½-gallon container is available for $1.59.

Another new product area—touted in the ads as "Dress for Success"—is a line of work clothes.

The campaign was designed initially for its 10 stores in the San Jose area where competition is intense and the company needs to differentiate itself. However, the chain intends to roll out the campaign to its other 19 locations in the future.

"The result is a dual benefit. The general consumer gets the message and it has the hidden advantage of a morale booster for our own personnel," said DiRocco.

Results from its latest market research show that Orchard has increased its market share from 30 percent to 45 percent, according to DiRocco. This is in part due to the opening of two new stores and the closure of Handyman, but the repositioning has contributed too.

Hugh M. Woods unveils 'user-friendly' prototype

(Continued from page 6)
impression because we allow customers to select lumber themselves and they don't have to pick through so much."

Layout changes

Other changes at the new prototype include:

- A new color scheme. The earth-color shades have been replaced with the colors in the Payless Cashways company "arrow" logo—bright red and black. Stripes on the walls, as well as on the countertops, reflect this color change;
- A new paint department location. The paint department has been moved to the front of the store where seasonal goods used to be.

"We put the paint department there because it basically stays the same," Stein explained. "It is one of our best-looking hardlines departments and we do a lot of paint promotion. Paint is one of the highest GMROI departments we have—so we give it the best real estate."

Tough category moved

Seasonal was moved next to the outdoor garden department. The seasonal department is off the main traffic aisle and is still well-positioned for maximum customer draw.

"Seasonal is always a tough category to make the presentation look good," Stein said. "We go through a major remerchandising in that area at least every six months."

12/14/87 C5150-6

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National
Home Center News ®

Vol. 13, No. 25 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. December 14, 1987

Mr. Build develops contractor showroom

By Suzanne Floyd
NHCN staff editor

NORTHBOROUGH, Mass. — Mr. Build International is taking its franchised contractor network concept one step further. The first Mr. Build Plus franchise is expected to open in this town, about 30 miles west of Boston, in April.

Jim Flanders, owner of both the Mr. Build Plus prototype and an existing Mr. Build franchise, explained that the prototype will be equipped to handle every facet of a remodeling job. In addition to five kitchen and bath designers on staff, the Mr. Build Plus will have three interior designers as well as an architect to oversee room additions.

The 12,000-square-foot space will also include cubicles for eight to 12 subcontractors.

Mr. Build International, headquartered in Windsor, Conn., outside of Hartford, is comprised of a network of contractors and remodelers that totals nearly 600 franchises in the U.S. and Canada, with 16 regional offices. A Japanese office is scheduled to open soon, and discussions are underway for locations in Australia.

(Continued on page 74)

Diamond reorganization plan filed as Seats resigns

By Ariane Sains
NHCN staff editor

CARROLLTON, Texas — Diamond Lumber president Harlon Seats has resigned after seeing the company file its Chapter 11 reorganization plan in bankrupcty court.

Seats also resigned his position on the board of Michigan General Corp. (MGC), Diamond's parent company.

Jerold Grubstein, president of Michigan General, said Diamond hopes to be operating under the reorganization plan by spring. It must be approved by the court, then voted on by creditors and stockholders. Grubstein will replace Seats as Diamond's president.

Senior vp James Schaffer becomes Diamond's executive vp in charge of day-to-day operations. Danny Hair, the chain's chief financial officer, becomes vice president of finance and administration for Michigan General. Richard Wiggins, previously the cfo for Continuum Corporation of Austin, Texas, has joined Michigan General as its vp-treasurer.

Seats, contacted at his Dallas home, said he had planned to resign for some time, but felt obligated to wait until the reorganization plan was completed. Diamond filed Chapter 11 in April.

In his letter of resignation to Ralph Shapiro, Michigan General chairman, Seats

(Continued on page 73)

Harlon Seats, who resigned as president of Diamond Lumber. He will be replaced by Jerold Grubstein, president of Diamond's parent Michigan General Corp. NHCN photo

New Jersey yard fights back after devastating fires

By Milford Prewitt
NHCN staff editor

PATERSON, N.J. — Practically annihilated by two deliberately set fires, Dillistin Lumber Co. here is bouncing back with a vengeance, heralded by local newspaper advertisements that proclaim: "The Fire's Out But Dillistin Isn't."

"What we're trying to say in that ad is what they say in basketball: In your face!" said Sal Fanale, vp and ceo of the company. "From a business perspective and from a personal perspective, it means we're not going anywhere."

Fanale's defiance is a rebuke to the arsonists, still at large, who torched the company's lumberyard on two different occasions last summer.

The first fire occurred on a Saturday night in July after the company had closed. It destroyed a substantial amount of cedar, redwood, oak and roofing materials in one of three buildings the company maintains on its yard.

(Continued on page 74)

New survey casts doubt on direct mail effectiveness

By an NHCN staff editor

NATIONAL REPORT — Consumers are almost three times more likely to throw away circulars sent by mail from home centers than they are to keep them, according to a survey recently released by the Newspaper Advertising Bureau (NAB).

But home center dealers subsequently interviewed by *NHCN* say they remain pleased with the results of direct mail advertising. And at least one direct mail operation disputes the results of the NAB survey.

"I would say that the movement of advertised goods is 50 percent better with mail than with newspapers," says Bob Fant, director of advertising and public relations for Scotty's in Winter Haven, Fla.

(Continued on page 73)

Most Believable Advertising Medium:
Demographic Profile

	Newspapers	TV	Magazines	Ad Mail
By Income				
Under $15,000	44%	23%	4%	13%
$15,000-$24,999	47	21	9	7
$25,000-$34,999	48	22	11	8
$35,000+	48	17	12	5
By Age				
18-29	41	27	11	8
30-44	43	21	10	7
45-64	54	18	8	8
65+	55	19	4	6
By Sex				
Female	49	20	8	8
Male	46	24	10	6
By Region				
Northeast	55	18	11	9
South Central	56	18	7	9
South	41	24	8	6
West	49	19	8	7

Source: Newspaper Advertising Bureau Inc. *NHCN* chart

Plywood Minn. eyes specialty niche in future

By Gary S. Ruderman
NHCN staff editor

CHICAGO — Plywood Minnesota is shedding the past.

Product lines have been cut back and refined. Three unprofitable units—two in Chicago suburbs and one in nearby Indiana—were closed earlier this year. And employee ranks shrank to 94 from 140 a year ago.

And after years in the doldrums, the five-unit Plywood Minnesota of Illinois plans to emerge in 1988 as a medium-to-high end, special order showroom operation that its officials are tentatively calling Chicago Kitchen and Bath.

Management is letting current leases expire on large, free-standing but under-used showroom/warehouses. Replacement units, including some new units planned for 1988, will put Plywood Minnesota in smaller showrooms inside shopping malls.

To support the new look, the chain cut product lines

(Continued on page 73)

INSIDE

Builders Square: Taming the Beast

Builders Square has become more than a chain: It's a phenomenon. In four years, it has grown to 118 units which are expected to do more than $1 billion in sales this year. Led by Frank Denny, the former president of W.R. Grace's home center division, and with help from corporate parent Kmart, Builders Square is on the verge of becoming the industry's largest retailer.

Beginning on page 23, *NHCN* examines how far Builders Square has come, and where the chain might be going in terms of growth, management and, perhaps most important, profitability.

NEWSBREAKS

PAYLESS TO CLOSE STORES, DCs: The Kansas City, Mo., chain will take a special charge, estimated at around $12.6 million, in the fourth quarter associated with the closing of an undisclosed number of retail and warehouse facilities because of "overlapping sales territories or reduced market opportunities," and the termination of a financing agreement with the bank handling its private credit card, which has Payless assuming accounts receivable. The charge is estimated to equal 37 cents per share.